

**IDGC of Centre
Joint-Stock Company**



**Stock market of IDGC of Centre, JSC
in I quarter 2009**

Moscow, April 2009

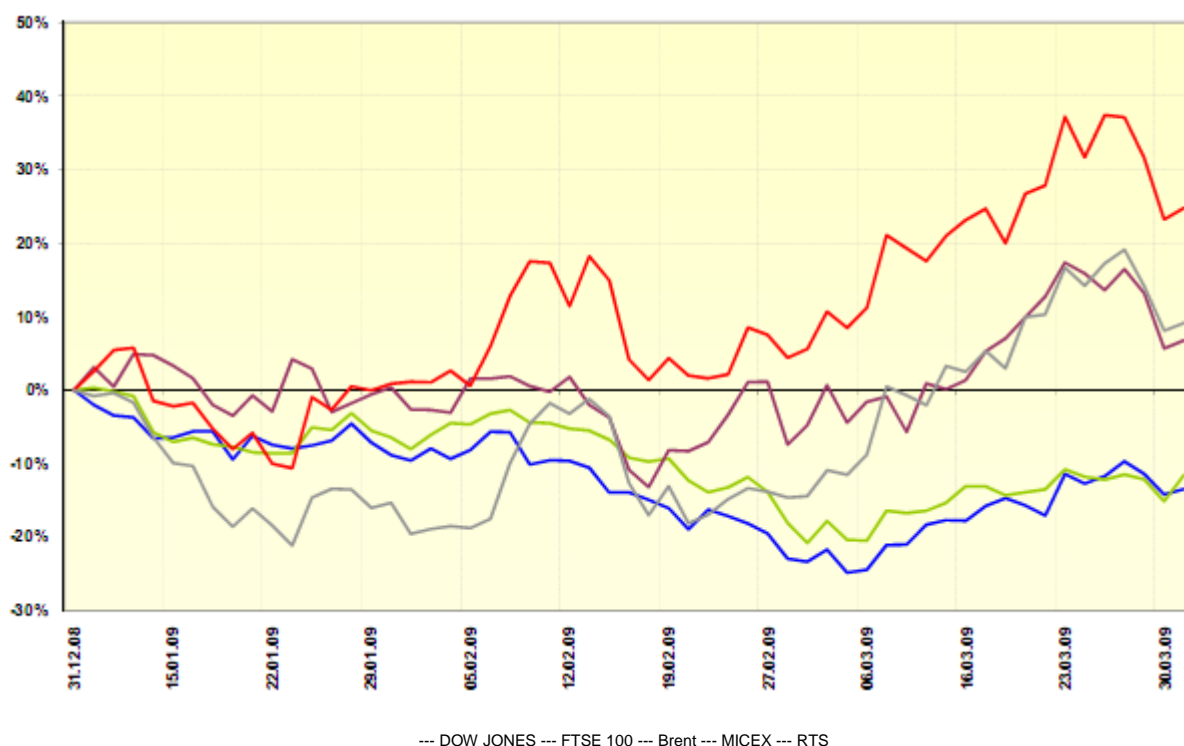
Share markets in I quarter 2009

The beginning of the first quarter was moderately negative for the world stock exchanges. Main concerns of participants of the market were connected with the worsening data of macro-economic statistics, weak corporate reporting, financial sector problems.

Thus, according to data published in January reduction of USA GDP in IV q. had become maximum since 1982, and GDP growth rates of Germany reduced twice in 2008. Macro-economic statistics of developing countries was disappointing as well: GDP growth rate of China in IV q. 2008 was minimal for past seven years, and GDP reduction in the South Korea in IV q. 2008 was maximal for the decade. Confidence indices and expectation indicators became the only sector of statistics, in which data were not so categorical.

The beginning season of quarterly reporting reflected the situation of the world economy. In the beginning of the year the largest world companies and banks reported on significant reduction of business profitability in IV q. 2008. Besides, the majority of companies reported on the planned production reduction, further reduction of working places and disappointing expectations relating to proceeds and profit for the middle-term period.

Index dynamics of MICEX, RTS, DOW, FTSE, Brent in I q. 2009



Source: MICEX, RTS, Bloomberg, calculations of DCT

In February fall at the world stock exchanges continued. The main disappointment was speech of Secretary to the Treasury who presented new support program of USA financial sector at hearings in the Congress. In the market participants' opinion the released program did not have specifics on decisions of many problems. Speculation on the subject of possible nationalization of the largest American financial institutions was one more reason for reduction of markets. Practically the whole macro-economic statistics published in February was in lurid terms.

In the beginning of March financial sector problems went on to pull down the world stock exchange markets. However, in the second week of the month stock exchange markets were unexpectedly supported by the American banking sector, which problems had been the main factor of fall of markets within several weeks before. At once the three largest banks of USA – Citigroup, JPMorgan Chase and Bank of America declared receipt of profit following the results of the first two months of the current year. Within the second half of March the world stock exchanges went on to show restrained optimism. Reasons for growth were the results of the meeting of Secretaries to the Treasury and Principals of Central Banks of G-20, decision of USA FRS on additional inflow of more than USD trillion in financial system, good American macro-economic statistics. At the end of the quarter the program of bank balance clearing from problem assets published by the U.S. Department of the Treasury was one more market growth driver.

In March growth of stock exchange indices could a little bit compensate losing results of the first two months of the year. On the whole Dow Jones and FTSE 100 indices lost 13% and 12% respectively following the results of the first quarter 2009.

In the beginning of the first quarter 2009 the Russian share market was moving followed by disappointing news of the world markets. Internal negative background brought additional pressure on the market participants: continuing devaluation of the Ruble and fall of international reserves of Russia connected with restraint of drop in the Ruble rate to dual currency basket, dark macro-economic statistics. In the second half of January the Central Bank of the Russian Federation completed the large-scale correction of right-of-way limits determining acceptable deviations of dual currency basket value that had been started on November 11, 2008: since January 23 the upper level of right-of-way was fixed as 41 Rubles.

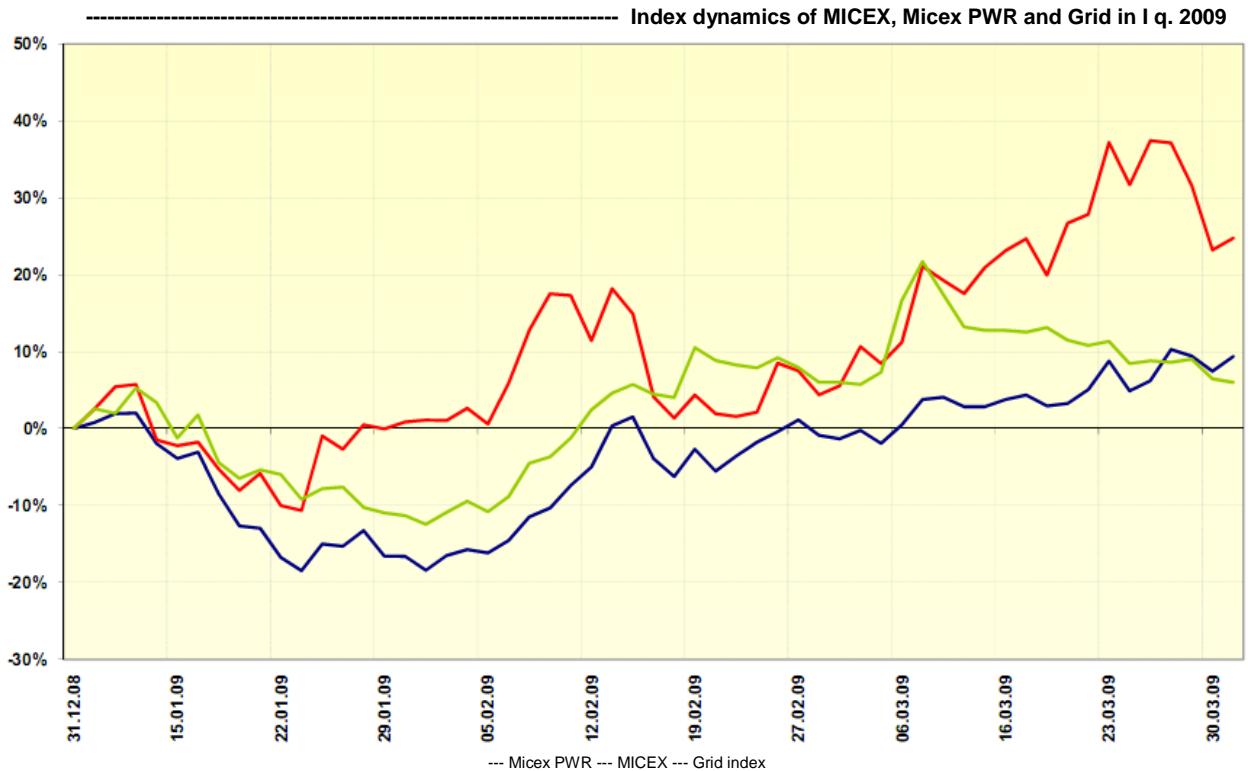
Vigor in defending of the fixed limits expressed by the Central Bank of the Russian Federation had a chilling effect on the currency market participants and large players began to close long currency positions forwarding a part of free liquidity to stock exchange market stimulating its growth. Against this background influence of Fitch agency's negative that reduced ratings of the Russian Federation and significant part of the state participating companies was short-term enough.

In the second half of March the native market used positive correction of the western stock exchanges to the full extent. In the second quarter of the quarter the native market was apparently supported by prices for oil that demonstrated moderate growth against the background of optimism of stock exchange indicators and decisiveness of OPEK countries intended to observe agreements on oil extraction reduction reached earlier.

As a whole the results of the first quarter 2009 turned out to be much better than the losing results of the previous quarter for the Russian market: MICEX and RTS indices increased by 25% and 9% respectively.

Share market of power distribution sector companies in I quarter 2009.

As a whole within I q. 2009 the native power engineering (it is represented by Micex PWR and Grid indices at the diagram) showed the dynamics resembling the market one. After significant fall in January and subsequent correction the indices started to increase. Following the results of the quarter MICEX index grew by 25%, Micex PWR and Grid indices – by 9% and 6% respectively.



Source: MICEX, RTS, calculations of DCT

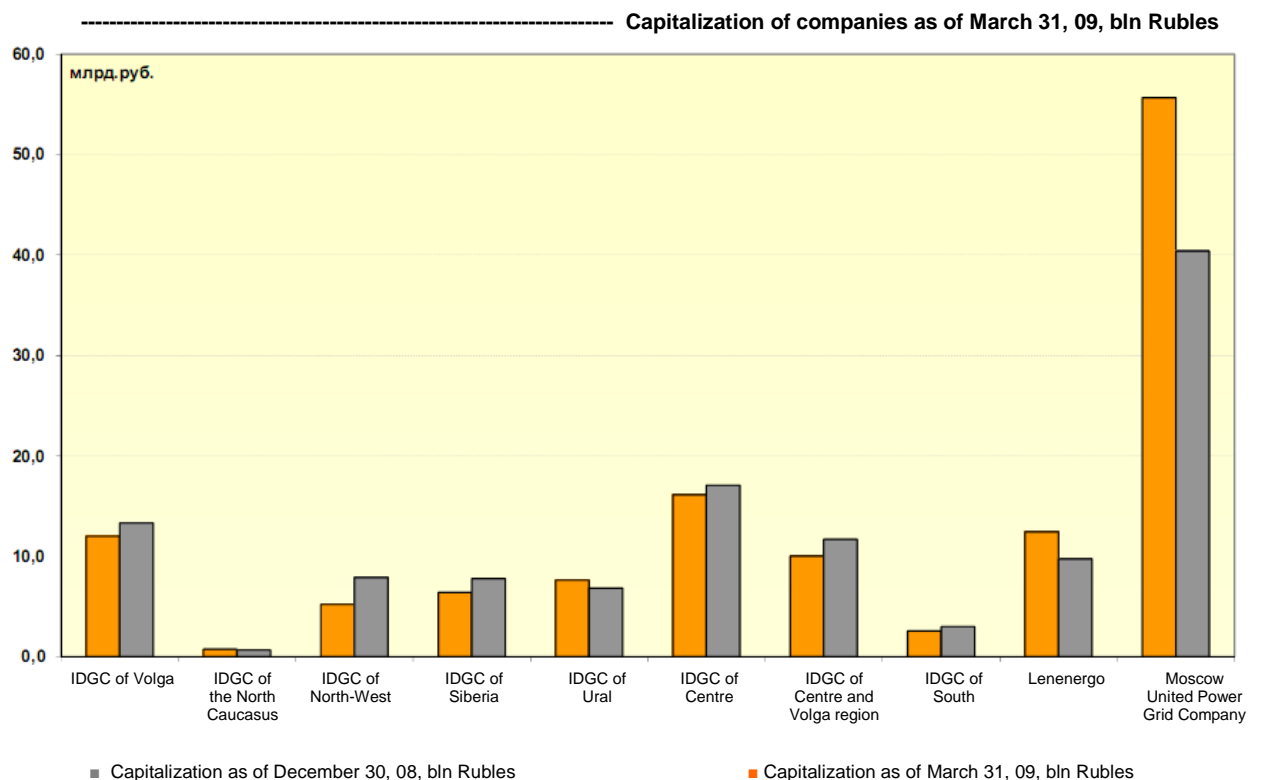
Share dynamics of distribution grid companies was defined in the past quarter either by stock exchange market condition as a whole, so news industrial background that was saturated enough. The main subjects for speculation of share market participants of power sector companies of the past quarter include:

- possible postponing of terms of transfer of companies to RAB-tariffs: as A. Chistyakov, Deputy Director IDGC Holding, reported in the beginning of February in the course of “Russia-2009” forum, in 2009 transfer of distribution grid companies to new RAB tariff is complicated by reduction of demand for power;
- possible reduction of volume of putting new power capacities into operation in the nearest five year in 2-3 times up to the plan fixed in industrial general scheme: this was reported by V. Sinyugin, Deputy Head of Ministry of Energy, in the second half of February in the course of All-Russian meeting of press-services of general companies;
- supposed results of the meeting on items power engineering under Vladimir Putin that had been initially planned on March 5, was then postponed to April 9. In particular, it was expected that the decision on reduction of WGC and TGC investment programs would be taken at the meeting, what, firstly, will provide the companies with opportunities to generate positive money flow at earlier prospective and, secondly, to reduce significantly risks of penalties for non-observance of volumes and terms of putting new power capacities into operation provided earlier by the agreed investment programs;

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- information of the first half of March on possible renewal of discussions related to restraint of wholesale power market liberalization rate: as V. Shkatov, Deputy Director of NP “Sovet rynka (Market council)” said, now in connection with the crisis average free prices in the power market reached the regulated tariffs, and in terms of some participants they became lower than this level;
- reduction of forecasting of demand for power for 2009 up to 8,5-9% instead of former 4,5-8% by the Market council at the end of March;
- declaration of Ministry of economic development and trade about necessity of correction to reduce tariffs for services of natural monopolies in 2010 compared with the planned levels;
- the going on indefiniteness relating to putting long-term power market into operation – as Interfax informed, principal disagreements of participants of the process were not solved yet, notwithstanding coming directive term for approval of market work rules.

The following diagram provides the results of IDGC capitalization changes for I q. 2009.



Source: MICEX, calculations of DCT

As a whole, following the results of the first quarter dynamics of capitalization of distribution grid companies was differently directed. IDGC of North-West became the leader of capitalization growth, which capitalization increased by 51,7%, Lenenergo and Moscow United Power Grid Company were outsiders – capitalization reduction of these companies was more than by 22%. In the first quarter 2009 capitalization of IDGC of Centre increased by 5,8%. The results of capitalization dynamics of the first quarter are given in the table:

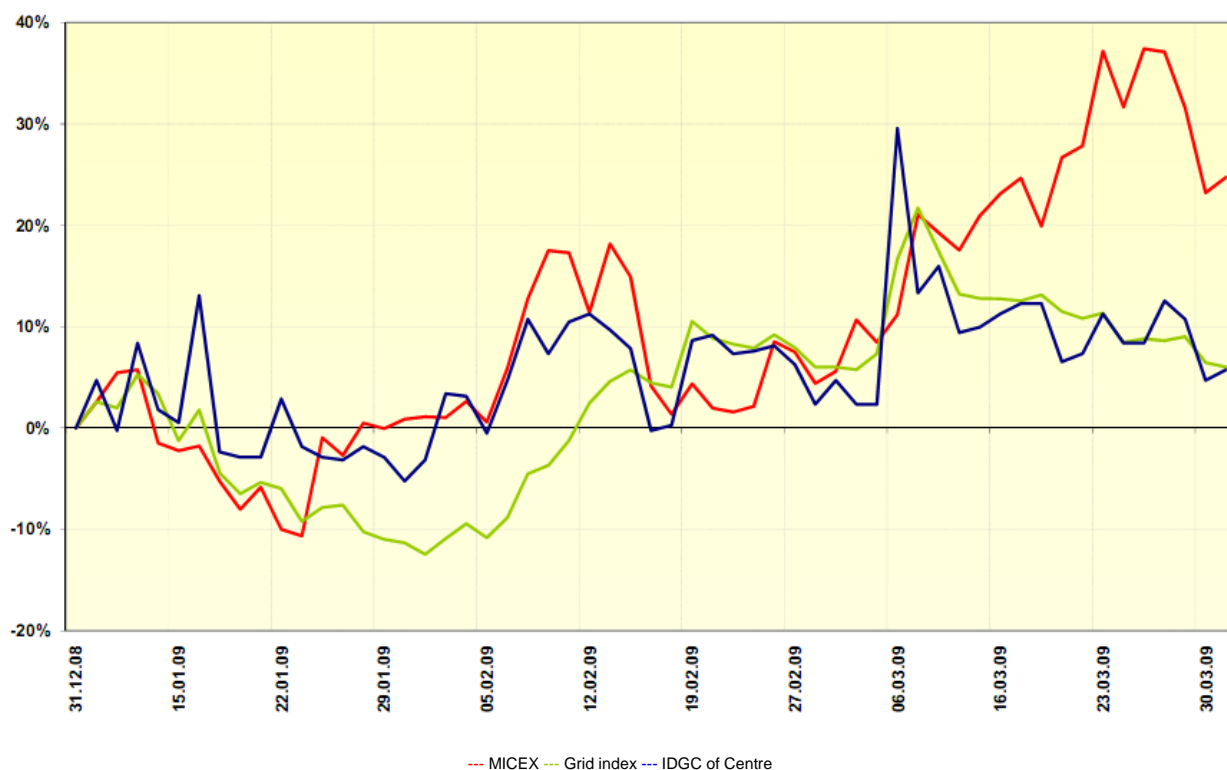
Company	Capitalization, bln Rubles		Change for the quarter, %
	as of 31.12.08	as of 31.03.09	
IDGC of Volga	11,98	13,30	11,03%
IDGC of the North Caucasus	0,72	0,65	-10,37%
IDGC of North-West	5,19	7,87	51,66%
IDGC of Siberia	6,37	7,75	21,60%
IDGC of Ural	7,61	6,82	-10,34%
IDGC of Centre	16,13	17,06	5,76%
IDGC of Centre and Volga region	10,02	11,68	16,54%
IDGC of South	2,54	2,99	17,65%
Lenenergo*	12,43	9,73	-21,71%
Moscow United Power Grid Company	55,67	40,38	-27,47%

* -capitalization of Lenenergo taking into account additional issue.

Share market of IDGC of Centre, JSC in I quarter 2009.

In the first quarter 2009 dynamics of MICEX index, grid index and weighted average price of shares of IDGC of Centre is as follows:

----- Dynamics of weighted average price of IDGC of Centre, indices of MICEX and Grids in I q. 2009



Source: MICEX, RTS, calculations of DCT

For the first two months 2009 dynamics of shares of IDGC of Centre was complying with the dynamics of MICEX index, then it became equal to the dynamics of Grid Index. Following the results of the first quarter Grid Index and price for shares of IDGC of Centre increased about by 6%, whilst MICEX grew up by 25%. Specifications of trading volumes of shares of IDGC of Centre at stock exchange site of MICEX and RTS in I q. 2009 (market transactions) are given in the table:

Stock exchange	Number of transactions	Volume, number	Volume, mln Rubles
RTS (classic)	-	-	-
RTS (stock exchange)	2	235 400	0,09
MICEX	1 125	340 254 400	142,2

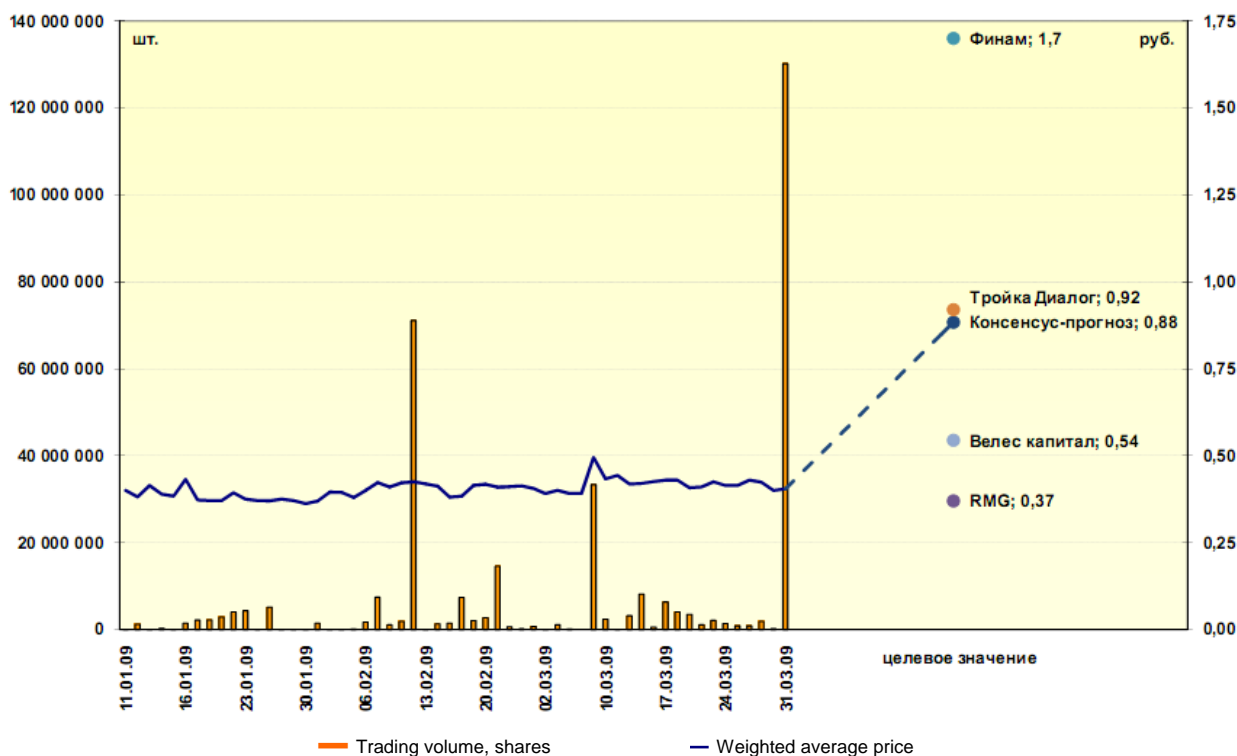
For the first quarter the turnover of shares of IDGC of Centre at MICEX amounted to 340,25 mln Rubles or 0,81% of the total number of shares of the Company. Within the considered period the average bid-ask spread amounted to about 4%, however, it was varying from 0,2% up to 9% in different days.

The share market of IDGC of Centre is still low liquid, trading volumes are small and unstable, big spreads. About 70% of total number of shares that were circulated at MICEX related to three trading days. At this great volumes in transaction often did not resulted in price change, what can be the evidence of quasi-contractual nature of transaction.

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The following diagram provides the dynamics of trading weighted average price, trading volume and consensus-forecast of professional participants given at Web-site www.quote.ru

----- Dynamics of weighted average price of IDGC of Centre and volumes of trading in I q. 2009



Source: MICEX, quote. ru, calculations of DCT

Analysts evaluate shares of IDGC of Centre in different ways – from enough pessimistic opinion (RMG) to optimistic enough (Finam). Forecasts of professional participants published by the investment companies for the date of report are given in the table:

----- Forecasts and recommendations of professional participants on shares of IDGC of Centre

	Company	Annual forecast		Data of renewal
		USD	RUR*	
1	Rye, Man & Gor Securities *	0,011	0,37	March 10, 09
2	Finam	0,05	1,70	January 11, 09
3	Troika Dialog	0,027	0,92	December 23, 08
4	Veles Capital IC	0,016	0,54	March 23, 09
Consensus		0,026	0,88	

* According to the rate of the Central Bank of the Russian Federation of RUR/USD as of March 31, 09

Source: quote. ru

As a whole, consensus is equal to 0,88 Rubles, this implies the growth potential of about 119% in relation to the MICEX price as of March 31, 2009.

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